

# COMMITTEE ON GOVERNMENT REFORM

TOM DAVIS, CHAIRMAN



## **MEDIA ADVISORY**

For Immediate Release  
June 21, 2005

Contact: Robert White/Drew Crockett  
(202) 225-5074

**Government Reform Committee to Review**  
**Mismanagement of Government Property Portfolio**  
*Billions Wasted Each Year to Maintain Vacant, Unneeded Buildings*  
*Legislation to Address Waste Will be Reviewed*

**What:** Government Reform Committee Oversight Hearing:  
"Wasted Space, Wasted Dollars: The Need for Federal Real Property  
Management Reform"

**When:** WEDNESDAY, JUNE 22, 2005 at 10:00 A.M.

**Where:** ROOM 2154, RAYBURN HOUSE OFFICE BUILDING

**Background:**

Federal government agencies control over 3.2 billion square feet of real property assets in the United States and around the world. The federal government spends billions of dollars annually to maintain those properties; yet many federal properties are in disrepair, lack up-to-date technological infrastructure, and pose health and safety threats to workers and visitors.

Out of the 8,000 buildings managed by the General Services Administration (GSA), more than half are at least 50 years old. Their deteriorating conditions require an estimated \$5.7 billion in repairs. As a result, agencies are often forced to vacate properties and lease costly space from the private sector.

The situation has led the General Accounting Office to include vacant, underutilized, and deteriorating federal real property management on its High Risk Series. Specifically, GAO points to the fact that underutilized or excess property is costly to maintain. For instance, the Department of Defense spends between \$3 and 4 billion annually just for maintenance of unneeded facilities. Also, GAO finds that excess government buildings and land could be put to more cost effective uses, exchanged for more useful property, or sold.

We are clearly facing a critical situation in federal real property management. Federal agencies are subject to several laws that limit their authority to acquire, manage, and dispose of real property. They need broader management authority to efficiently and cost-effectively manage their properties. Agencies must be able to implement life-cycle management principles that will improve operational management, financial management, agency accountability, encourage cost-savings, and incorporate private sector best practices.

Since the 106<sup>th</sup> Congress, the Committee has held several hearings to examine innovative solutions to address the federal property management crisis. The Committee marked up bipartisan legislation in the 107<sup>th</sup> and 108<sup>th</sup> Congresses that included comprehensive life-cycle management reforms described above. Most recently, the Committee passed H.R. 2548, the bipartisan “Federal Property Asset Management Reform Act of 2003.” The bill has been delayed because of a debate on its budget impact.

The Congressional Budget Office (CBO) attached a high cost estimate to H.R. 2548, implying that the Federal government would spend more money by passing the bill than if it did nothing. CBO’s estimate loses sight of the cost-savings that would have been realized if agencies were able to implement the management authorities in the bill. This is about saving money, not spending more of it. Fiscal responsibility requires that we grant agencies alternative property management authority to address this growing problem.

The Committee will review narrowly tailored legislation – language authored by Chairman Davis and to be introduced prior to the hearing – to begin addressing these management challenges and begin combating this inexcusable waste. When agencies generate money from property transactions, those proceeds are not returned to the agencies, which reduces incentives for agencies to invest in properties in order to make them usable. The legislation creates a 5-year pilot program to allow for the expedited disposal of federal excess, surplus, or underutilized real properties. Under the proposal, 10 eligible properties per year are to be sold for at least fair market value and the agency affected by the disposal may retain a portion of the proceeds.

In addition, the legislation codifies provisions from Executive Order 13327. This Order borrows several key provisions from H.R. 2548, such as: the creation of the Senior Real Property Officer; the development of agency asset management plans; the creation of an accurate and updated inventory of all Federal real property; and an emphasis on financial management.

Chairman Davis convinced the House Budget Committee to provide a \$50 million reserve fund to the Government Reform Committee to pay for the pilot program. This funding will allow us to prove that real property reform saves money, despite the puzzling CBO estimate. The Committee anticipates that at the end of the five-year program, the pilot will have resulted in considerable savings to the U.S. government, thereby clearing the way for more fundamental real property reform. Potential net benefits to the government include improved federal spaces, lower operating costs, and increased revenue without up-front federal capital expenditures.

**Witnesses:**

The Honorable Clay Johnson, Deputy Director for Management, Office of Management and Budget

The Honorable David M. Walker, Comptroller General, U.S. Government Accountability Office

###